



STATE OF CALIFORNIA  
FRANCHISE TAX BOARD

## FTB Publication 1032

# Tax Information for Military Personnel



### INTERNET ASSISTANCE

We've made significant changes to our Website in an effort to help answer questions when completing your income tax return. Come visit us at

**[www.ftb.ca.gov](http://www.ftb.ca.gov)** to get helpful information such as:

- Get a Customer Service Number and other tips for e-filing your tax return
- Check the status of your refund and account balance inquiry
- Learn about new and more convenient methods for paying your tax
- Download tax forms and publications - sorted by year and by form number
- View internal procedure manuals to learn how we administer the law
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## What's Changed?

The California legislature enacted SB 615 (Stats. 2004 CH. 388), which makes California law compatible with the Servicemembers Civil Relief Act (Public Law 108-189). This means that servicemembers domiciled outside of California, and their spouses, may exclude the member's military compensation from gross income when computing the tax rate on nonmilitary income.

Requirements for military servicemembers domiciled in California remain unchanged. Military servicemembers domiciled in California must include their military pay in total income. In addition, they must include their military pay in California source income when stationed in California. However, military pay is not California source income when a servicemember is permanently stationed outside of California.

**Amended Returns** – If you are domiciled outside of California and included your military pay in income from all sources, you may file an amended return to claim a refund for tax years not closed by the statute of limitations. In addition, servicemembers who are American Indian tribal members treated as living in Indian Country who included military pay in income from all sources, can amend previously filed returns to claim a refund for tax years not closed by the statute of limitations.

Generally, the normal statute of limitations is the later of:

- Four years from the original due date of the return;
- Four years from the date a timely return is filed; or
- One year from the date of overpayment.

The normal statute of limitations may be extended by service in a combat zone, a disaster loss, or assignment outside the United States.

To file an amended return:

- ▶ Use Form 540X, Amended Individual Income Tax Return.
- ▶ Write "Military – HR 100" in red at the top of form 540X, and include a daytime phone number in the space provided on page 2 of the form.

- ▶ Attach a revised Long Form 540NR, Schedule CA (540NR), and any other affected forms or schedules to Form 540X.
- ▶ Attach a copy of the military W-2 to the amended return.

**Note:** If you are filing an amended return for a tax year in which the normal statute of limitations has closed, you should attach a statement explaining how you determined the statute of limitations. If the statute is extended because of military service in a combat zone or outside of the United States, you should attach a copy of your military orders.

Military members who have not yet filed their 2003 return can file an original return under the new rules.

California law is generally the same as federal law regarding which type of military pay (active duty, disability, reserve, and retirement) is taxable. See Federal Pub. 3, Armed Forces Tax Guide. However, active duty military pay is not included as part of California source income unless the military member is domiciled and stationed in California and the pay is earned in California.

California law does not conform to the federal special rule for members of the uniformed services in determining the exclusion of gain from the sale of a principal residence and to restore the tax-exempt status of death gratuity payments to members of the uniformed services.

The President signed the Military Family Tax Relief Act of 2003. As of the printing of this publication, California has not conformed to the provisions of this act.

## A General Information

For taxable years beginning on or after January 1, 2002, California law was changed to clarify the method used to calculate loss carryovers, deferred deductions, and deferred income for nonresident and part-year resident taxpayers. This changed the tax computation to recognize those items, and established a new method to determine percentages for computing tax for all nonresidents and part-year residents. The nonresident tax forms (Long and Short Form 540 NR) have been revised to more clearly show that nonresidents pay tax to California only on their California taxable income.

## B Filing Requirements

**Residents** – You must file a California return if **either** your California gross income or your California adjusted gross income is more than the amounts shown on the chart on page 2.

**Nonresidents and Part-Year Residents** – You must file a Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return if you have any income from California sources and your gross income from all sources or adjusted gross income is more than the amounts shown on the chart below.

## Filing Requirements for Most People

Read down the first column to find your filing status at the end of 2003. Read across to find your age and number of dependents you can claim for 2003.

**Residents:** You must file a return if **either** your gross income or your adjusted gross income was more than the amount shown for your filing status, age, and number of dependents.

**Nonresidents or part-year residents:** You must file a return if **either** your gross income or your adjusted gross income from all sources was more than the amount shown for your filing status, age, and number of dependents.



Even if you do not have to file a return, you should file one in order to get a refund if California state income tax was withheld from your pay, or if you made estimated tax payments.

On 12/31/03, my filing status was:	and on 12/31/03, my age was <sup>6</sup> :	Gross Income <sup>1</sup>			Adjusted Gross Income <sup>2</sup>		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or Head of household <sup>3</sup>	Under 65	12,346	20,913	27,338	9,877	18,444	24,869
	65 or older	16,446	22,871	28,011	13,977	20,402	25,542
Married filing jointly or Married filing separately <sup>4</sup>	Under 65 (both spouses)	24,692	33,259	39,684	19,753	28,320	34,745
	65 or older (one spouse)	28,792	35,217	40,357	23,853	30,278	35,418
	65 or older (both spouses)	32,892	39,317	44,457	27,953	34,378	39,518
Qualifying widow(er)	Under 65		20,913	27,338		18,444	24,869
	65 or older		22,871	28,011		20,402	25,542
Dependent of another person – Any filing status	Any age	More than your standard deduction <sup>5</sup>					

<sup>1</sup> **Gross income computed under California law** is all income you received in the form of money, goods, property, and services from **all** sources that is not exempt from tax. Gross income computed under California law does not include any adjustments or deductions.

<sup>2</sup> **Adjusted gross income computed under California law** is your federal adjusted gross income from **all** sources reduced or increased by all California income adjustments.

<sup>3</sup> Get FTB Pub. 1540, California Head of Household Filing Status Information.

<sup>4</sup> The income of both spouses must be combined. If the combined income from both spouses is more than the amounts listed, both spouses may be required to file a return. See the examples beginning on page 7.

<sup>5</sup> Use the California Standard Deduction Worksheet for Dependents in the instructions for your tax return to figure your standard deduction.

<sup>6</sup> If your 65th birthday is on January 1, 2004, you are considered to be age 65 on December 31, 2003.

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## C Joint or Separate Returns

Active duty military members and their spouses who file joint federal returns may file separate returns for California.

When filing separate returns, a full-year resident spouse must file Form 540 or Form 540A. A nonresident or part-year resident spouse must file a Long Form 540NR.

When filing a joint return and one spouse is a nonresident or part-year resident, you must file a Long or Short Form 540NR. You should figure your tax both jointly and separately to determine which filing status will result in the lower amount of tax.

Prior to January 1, 2000, a husband and wife who filed a joint return could not amend that return after the original due date to change their filing status from married filing jointly to married filing separately. For tax years beginning on or after January 1, 2000, a husband and wife who file a joint return may amend that return after the original due date to change their filing status from married filing jointly to married filing separately if either spouse was:

- An active member of the armed forces or any auxiliary branch thereof, or
- A nonresident for the entire taxable year who had no income from a California source.

**Division of Income** – The domicile of the spouse earning the income determines the division of income between the spouses when separate returns are filed. (See Section D, Are You a Resident?, for the definition of domicile.) Each spouse must follow the laws of his or her state of domicile to determine if the income is separate or community property. California is a community property state. If the state of domicile is a community property state, when filing separate returns, each spouse must report half of the community property plus all separate income on each return. When filing separate returns, each spouse must report half of the community income plus all separate income on each return. Get FTB Pub. 1051A, Guidelines for Married Filing Separate Returns, for more information regarding the division of income.

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## D Are You a Resident?

**Active Duty Military** – Generally, for tax purposes, you are considered a resident of the state from which you entered the military. The Servicemembers Civil Relief Act (HR 100) provides that:

- A person shall not be deemed to have lost a residence or domicile in any state solely by reason of being absent therefrom in compliance with military orders.
- A person shall not be deemed to have acquired a residence or domicile in any other state solely by reason of being there in compliance with military orders.
- Compensation for military service is not considered to be from sources within the state where a member is stationed if that state is not the member's domicile.

**Domicile** is defined as the one place:

- Where you maintain a true, fixed home and a permanent establishment;
- To which you intend to return; and
- Which you intend to make your permanent home.

For tax purposes, a member of the military is not considered a resident of California unless he or she is domiciled in California.

An individual domiciled in California when entering the military is considered to be a:

- Resident while stationed in California;
- Resident while stationed in California on Permanent Change of Station (PCS) orders and Temporary Duty (TDY) assignments outside California, regardless of the duration; and
- Nonresident while stationed outside California on PCS orders.

**Note:** Military members domiciled outside of California are considered nonresidents for tax purposes even when stationed in California on PCS orders.

**Spouses and Retired Military** – For purposes of determining residency, retired military members and civilian spouses of military members are not covered by the federal Servicemembers Civil Relief Act (HR 100). For tax purposes, their residency is determined under state laws. R&TC

Section 17014 defines a resident as:

1. Every individual who is in this state for other than a temporary or transitory purpose; and
2. Every individual domiciled in this state who is outside the state for a temporary or transitory purpose.

For more information, get FTB Pub. 1031, Guidelines for Determining Resident Status.

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## E Examples of Resident Status

**California Military Personnel in California** – Military members whose domicile is California are residents of California and are subject to tax on all income, regardless of source, while stationed in California on permanent military orders.

**California Military Personnel Outside California** – California military members who leave California under PCS orders become nonresidents of California for income tax purposes when they leave California. All income received or earned prior to departure is subject to tax by California. After departure, only income from California sources is subject to tax by California. Nonresidents are generally not taxed by California on income from intangibles, such as dividends from stocks or interest from bonds or bank accounts.

California military members who leave California under a TDY assignment continue to be California residents even though absent from the state.

California military members on a ship whose home port is in California remain California residents while on sea duty, regardless of the ship's location.

**Nonmilitary Spouse** – If the spouse of the military member remains in California, the spouse is considered a California resident. As a California resident, the spouse is subject to tax on all his or her separate income, regardless of where it is earned. If the military member retains a California domicile, the spouse is also subject to tax on his or her one-half community property share of all income, including the military member's military pay.

The spouse of a military member who is domiciled in California but leaves the state with the military spouse on PCS orders outside California becomes a nonresident upon leaving California. All income received or earned while a California resident is subject to tax. While a nonresident, only income from California sources is subject to tax.

**Military Personnel Domiciled Outside of California** – Military members who are domiciled outside California remain nonresidents, even though stationed in California, unless they establish a California domicile.

**Military Couples** – Each member follows the above rules applicable to each of them as individual military members.

## F Income Subject to California Tax

In general, California taxes all of the income you received while you were a resident of California and all of the income you received from California sources while you were a nonresident.

**California Source Income** – California source income includes income from:

- Real or tangible personal property located in California;
- A trade or business located in California; and
- Nonmilitary services performed in California such as salaries or wages from a second job held by a nonresident military member.

Income from intangible property (such as dividends from stocks or interest from bonds or bank accounts), regardless of the location of the payor, is sourced in the state of residence of the recipient. Therefore, intangible income is not taxable by California if received by a nonresident.

Military pay is not included in California source income unless the military member is domiciled in California and stationed in California. However, American Indian tribal members treated as living on the Indian reservation are not taxed on their military pay. For information on how American Indians treat other types of income, please see FTB 674, Frequently Asked Questions About the Income Taxation of American Indians.

For tax purposes, income is allocated between spouses based upon whether the person receiving the income is domiciled in a community property or separate property state.

The community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Puerto Rico is a community property U.S. territory. All other states, U.S. territories, and foreign countries are separate property states, territories, and countries.

**Example:** Lt. Tucker is domiciled in New York, a separate property state, and Mrs. Tucker is domiciled in California, a community property state. Wages earned by Lt. Tucker are his separate income for tax purposes. Wages earned by Mrs. Tucker are community property for tax purposes and each spouse must report his or her community half if they are filing separate returns.

Income from joint accounts is assumed to belong equally to each party. Therefore, if you and your spouse file separate returns, each must report one-half of any taxable income from a joint account.

**Nonresident Military Personnel with California Domicile** – When you compute your total AGI from all sources under California law on Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents, column A should include **all** income you reported on your federal return. **Do not enter your military income or non-California source income in column B.** Use column B and column C to make **only** the adjustments described in the instructions for Schedule CA (540NR). Be sure to read the instructions for Schedule CA (540NR), line 7.

To compute your part-year or nonresident California AGI, do **not** enter your military income or other non-California source income in Schedule CA (540NR), column E.

**Short Form 540NR filers:** Include all the income you reported on your federal return on Short Form 540NR, line 13. Use Short Form 540NR, line 14 for the unemployment compensation adjustment only. To figure your part-year or nonresident California AGI, do not include your military income or non-California source interest on Short Form 540NR, line 21.

**Resident Nonmilitary Spouse** – Resident nonmilitary spouses are taxed on their entire share of taxable income. If a military member is domiciled in California, the resident nonmilitary spouse's community half of military pay is included in total California AGI regardless of the military member's residency status.

**Nonresident Military Personnel Domiciled Outside California**

**Military Pay Adjustment (MPA)** – Military pay of a servicemember domiciled outside of California cannot be used to determine the amount of California tax you (or your spouse) must pay. Since the California return starts with federal adjusted gross income, which includes your military pay, you must make an adjustment on your California return. If you file:

Long Form 540NR, enter your military pay on Schedule CA (540NR), line 7, column B. Write **"MPA"** to the left of column A. Do not include your military pay in column E.

Short Form 540NR, enter your military pay on Short Form 540NR, line 14. Write **"MPA"** on the dotted line to the left of line 14. Do not include your military pay on line 21.

**Example:** Lt. Pope is a nonresident domiciled outside of California. Mrs. Pope is a resident of California. They should enter Lt. Pope's military pay on Schedule CA

(540NR), line 7, column B. See the examples on page 7 and page 8 for the division of pay between spouses.

**Modified Federal Adjusted Gross Income** – Some deductions and credits are limited by federal adjusted gross income. Military pay of a servicemember domiciled outside of California cannot be used to reduce the amount of these deductions and credits. You must modify your federal adjusted gross income used to compute these limitations by subtracting your military pay from federal adjusted gross income. The deductions and credits subject to a federal adjusted gross income limitation are:

- Exemption Credit - figured on the AGI Limitation Worksheet. If using modified federal AGI to compute the exemption credit phase out, write “MPA” to the left of the exemption credit amount on Long Form 540NR, line 25b (for tax years 2001 and prior, line 23) or for the resident spouse filing a separate return, form 540, line 21.
- Medical and Dental Expenses – limited to amounts in excess of 7.5% of federal AGI on federal Schedule A.
- Gifts to Charity – subject to a 20%, 30%, and 50% federal AGI limitation.
- Casualty and Theft Losses – total amount of all losses limited to amounts in excess of 10% of federal AGI on federal Schedule A.
- Job Expenses and Most Other Miscellaneous Expenses – limited to amounts in excess of 2% of federal AGI.
- Investment expenses included as a Miscellaneous Itemized Deduction on federal Schedule A, subject to the 2% of federal AGI limitation and reported on Form FTB 3526.
- Passive Activity Losses – modified federal AGI limitation.
- Student Loan Interest Deduction – figured on the Student Loan Interest Deduction Worksheet.
- Child and Dependent Care Credit – See Section I.

Under the federal Servicemembers Civil Relief Act (HR 100), military members who are not domiciled in California are not taxed by California on pay received for military services performed in California, even though they were stationed in California for the entire year. However, all other income of nonresident military members from California sources is subject to California tax.

## G Tax Computation for Nonresidents

The California tax on nonresidents is the **California taxable income** multiplied by a **California tax rate**.

**California taxable income** is the income subject to California tax as explained in Section F of this publication less certain deductions, such as a prorated portion of the standard deduction or itemized deductions.

The **California tax rate** is figured as follows:

**Step 1:** Nonresidents determine their total taxable income as if they were California residents for the entire year and taxable on all their income. Nonresident servicemembers domiciled outside

of California should exclude their military compensation as explained in Section F, Income Subject to California Tax. As explained in Section F, these servicemembers must re-figure any federal AGI limitations by first subtracting military compensation from federal AGI.

**Step 2:** Compute the tax on the total taxable income from Step 1.

**Step 3:** Divide the tax from Step 2 by the total taxable income from Step 1. This is the California tax rate.

$$\begin{array}{rcccl} \text{California} & & \text{Tax on total taxable income} & & \text{Prorated} \\ \text{taxable} & \times & \text{Total taxable income} & = & \text{tax} \\ \text{income} & & & & \end{array}$$

Nonresidents use either: (1) the **Short Form 540NR**; or (2) the **Long Form 540NR** and **Schedule CA (540NR)** to compute their tax.

## H Nonrefundable Renter's Credit

California residents or part-year residents who paid rent for at least six months on their principal residence located in California and meet certain income requirements may claim a **nonrefundable** renter's credit against tax. Taxpayers who do not owe tax will not be able to claim the credit.

## I Child and Dependent Care Expenses Credit

California allows a refundable credit for child and dependent care expenses. You may be eligible to claim this credit if you paid someone to care for your child or other qualifying person so you (and your spouse, if married) could work or look for work. Generally, if you are married, you must file a joint return. Your California adjusted gross income must be \$100,000 or less. For more information, get Form 3506, Child and Dependent Care Expenses Credit.

**Servicemember Domiciled Outside of California.** This is additional information you need to complete Form 3506.

**Modified federal adjusted gross income** – Use federal adjusted gross income less your military pay to determine the decimal amount to use on Form 3506, line 7.

**(For tax years 2000-2003)**

If using modified federal AGI to compute the Child and Dependent Care Expenses Credit, write “MPA” to the left of the credit amount on Form 3506 (for tax year 2003, line 15; for tax years 2001-2002, line 16). For tax year 2000, enter “MPA” on federal Form 2441, line 9.

## J Military Retirement Pay

Military retirement pay is taxable if it is received by a California resident. This applies to all military pensions

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received while the retiree is a California resident regardless of where the retiree was stationed.

**Example:** Joe Smith was a nonresident of California stationed outside California all of his active duty military career. He retires and moves to California. His military pension received after he moves to California is taxable by California.

Nonresidents of California are not taxed on military retirement pay or other qualified retirement income received after December 31, 1995.

For more information, get FTB Pub. 1005, Pension and Annuity Guidelines.

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## K Extensions – Combat Zone or Military Overseas

Military personnel on duty outside the United States or in a designated combat zone or in a qualified hazardous duty area (QHDA) are allowed a filing extension of up to 180 days to file their California income tax returns and pay their tax, without interest or penalties as described below:

- If you were in a designated **combat zone** or in a **QHDA** anytime during the tax year or filing period (January 1 to April 15), you are entitled to an extension to file and pay, without interest and penalties, of up to 180 days after leaving the combat zone or QHDA. In addition you are entitled to an additional extension of up to 106 days (number of days you were in a combat zone or QHDA during the filing period).
- If you served outside the United States, but not in a designated **combat zone** or **QHDA**, you are entitled to an extension of time to file and pay without interest and penalties, of up to 180 days after returning from overseas.

### IMPORTANT:

**How do I indicate that I qualify for the extension to file and pay?**

- If you were serving in the military overseas, write **“MILITARY OVERSEAS”** at the top of your tax return in **RED INK**.
- If you served in a designated combat zone or QHDA write **“COMBAT ZONE”** and the area you served in at the top of your tax return in **RED INK**.
- You must also write the **date you were deployed** overseas or **entered** a designated **combat zone** or **QHDA** and the date you returned from overseas or from a designated **combat zone** or **QHDA**.
- If both you and your spouse were in the military, write the information for both of you and indicate which is your information and which is your spouse’s information.

The extensions apply to the servicemember and spouse regardless of whether a joint return or separate returns are filed.

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## L Alternative Minimum Tax (AMT)

If you claim certain types of deductions and income exclusions, you may be subject to California’s AMT. Generally, if you filed federal Form 6251, Alternative Minimum Tax, you must also file California’s Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, with Form 540; or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part-Year Residents, with Long Form 540NR.

# M Examples of Income Reporting Requirements

The following chart includes examples that illustrate California's income reporting requirements. To use the chart, read down the first column to find your status Military member (M) or Spouse (S), then read across to find the type of return to file and the type of income to report. Servicemembers domiciled outside of California should exclude their military compensation by claiming the Military Pay Adjustment (MPA) on Schedule CA (540NR), line 7, column B, and writing "MPA" to the left

of line 7, column B, if they file Long Form 540NR. If they file Short Form 540NR, they should enter their military compensation on line 14, and write "MPA" (for Military Pay Adjustment) on the dotted line to the left of line 14. These examples assume you were either a nonresident for the entire year or a resident for the entire year. Part-year residents get FTB Pub. 1031, Guidelines for Determining Resident Status, for more information.

## Status Examples of Income Reporting Requirements (See note)

**Note:** M = Military member, S = Spouse

### SINGLE TAXPAYERS

- 1.** M – Domiciled in California. Stationed in California all year. File Form 540, Form 540A, or Form 540 2EZ. Report all income, including military pay.
- 2.** M – Domiciled in California. Stationed outside California. File Long or Short Form 540NR if you have California source income. Report all income but exclude your military compensation and other non-California sourced income on Schedule CA (540NR), column E or Short Form 540NR, line 21. California AGI, column E or Short Form 540NR, line 21, includes California source income only. Do not include military income in column E or Short Form 540NR, line 21. If M has no California source income, M is not required to file a California return.

### MARRIED TAXPAYERS

- 3.** M – Domiciled in California. Stationed in California all year.  
S – Domiciled in California. Resided in California all year. File Form 540, Form 540A, or Form 540 2EZ. If filing a joint return, report all income. If filing separate returns, each spouse must file Form 540 and report one-half of all community income, including military pay, and his or her separate income, if any, on Schedule CA (540).
- 4.** M – Domiciled in California. Stationed outside California all year.  
S – Domiciled in California. Resided in California all year. If filing a joint return, file Long or Short Form 540NR. Report all income, including military income, on Schedule CA (540NR), column D or Short Form 540NR, line 13. Report all California source income, all S's separate income, and S's community one-half of all non-California source income in column E or Short Form 540NR, line 21. This includes the community one-half of military pay and intangible income.  
If filing separate returns, M must file Long Form 540NR. Report all separate income and one-half of all community income, including military income, on Schedule CA (540NR), column D. Do not enter military income on Schedule CA (540NR), column B or column C. Report all separate California source income and one-half of community California source income in column E. Do not enter any military income, intangible income, or other non-California source income in column E.  
If filing separate returns, S must file Form 540 and report all separate income and one-half of all community income, including military income, on Schedule CA (540).
- 5.** M – Domiciled in California. Stationed in California.  
S – Domiciled in California. Resided outside California. If filing a joint return, file Long or Short Form 540NR. Report all income on Schedule CA (540NR), column A or Short Form 540NR, line 13. Do not enter military income on Schedule CA (540NR), column B or column C. California AGI, column E or Short Form 540NR, line 21, includes all California source income, including all military income.  
If filing separate returns, M must file the 540, 540A, or 5402EZ. M reports one-half of all community income, including military pay and his or her separate income, if any, on Schedule CA.  
If filing separate returns, S must file Long Form 540NR. Report on Schedule CA (540NR), column A and column D one-half of all community income (including military income) and his or her separate income, if any. Report one-half of California source community income (including military income) and any separate California source income in column E.
- 6.** M – Domiciled in California. Stationed outside California all year.  
S – Domiciled in California. Resided outside California all year. If filing a joint return, file Long or Short Form 540NR. If filing separate returns file Long Form 540NR. Report all income on Schedule CA (540NR), column D or Short Form 540NR, line 13. Do not enter military income on Schedule CA (540NR), column B or column C. California AGI, column E or Short Form 540NR, line 21, includes all California source income and does not include any military income. If there is no California source income, M and S do not have to file a California return.

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Status	Examples of Income Reporting Requirements <i>(continued)</i>
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**Note:** M = Military member, S = Spouse MPA = Military pay adjustment

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**Not California Domiciled Military**

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**SINGLE TAXPAYERS**

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| <b>7.</b> M – Domiciled outside California. Station in or out of California. | File Long or Short Form 540NR if you have California source income. Report all income. Enter all military income on Schedule CA (540NR), column B or Short Form 540NR, line 14. California AGI, column E or Short Form 540NR, line 21 includes only California source income. Do not include military income in Schedule CA (540NR), column D or column E or Short Form 540NR, line 21. If M has no California source income, M is not required to file a California return. |
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**MARRIED TAXPAYERS**

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|--|---|
| <b>8.</b> M – Domiciled in a community property state (other than California). Stationed in California all year.<br>S – Domiciled in a community property state. Resided in California all year. | <p>If filing a joint return, file Long or Short Form 540NR. Report all income on Schedule CA (540NR), column A or Short Form 540NR, line 13. Enter all military income in column B or on Short Form 540NR, line 14. Report all California source income, plus S's share of intangible income, and S's other non-California source income in column E or Short Form 540NR, line 21. Do not include: M's military income, M's share of intangible income, or M's other non-California source income in column E or Short Form 540NR, line 21.</p> <p>If filing separate returns, M must file Long Form 540NR. Report one-half of military pay on Schedule CA (540NR), column B. Report on Schedule CA (540NR), column D, all separate income and one-half of all community income, excluding military income. Report all separate California source income and one-half of California source community income in column E. Do not include any military income or intangible income in column E.</p> <p>If filing separate returns, S must file Form 540. Report all separate income and one-half of all community income, including S's community half of military income on Schedule CA (540), column A. Enter S's community half of military pay on Schedule CA (540), column B.</p> <p>See page 9 for an illustration of how to complete Schedule CA when filing jointly or filing separately.</p> |
| <b>9.</b> M – Domiciled in a separate property state. Stationed in California all year.<br>S – Domiciled in a separate property state. Resided in California all year.                           | <p>If filing a joint return, file Long or Short Form 540NR. Report all income on Schedule CA (540NR), column D or on Short Form 540NR, line 13. Enter military income in column B. Report all California source income, plus S's intangible income, and S's other non-California source income in column E or on Short Form 540NR, line 21. Do not include any military income in column D or column E or on Short Form 540NR, line 21.</p> <p>If filing separate returns, M must file Long Form 540NR. Report on Schedule CA (540NR), column A, all income, including military pay, M's intangible income, California source income and non-California source income. Enter in column B all M's military pay. M's California AGI, column E, includes all M's California source income, but not any military income or intangible income. If M has no California source income, M does not have to file a California return.</p> <p>If filing separate returns, S must file Form 540 or Form 540A. Report all separate income of S from all sources.</p>  |
| <b>10.</b> M – Domiciled in a separate property state. Stationed in California all year.<br>S – Domiciled in a community property state. Resided in California all year.                         | <p>If filing a joint return, file Long or Short Form 540NR. Report all income on Schedule CA (540NR), column A or on Short Form 540NR, line 13. Enter military income in column B. California AGI, column E or on Short Form 540NR, line 21, includes all California source income plus S's intangible income, and S's other non-California source income but does not include any military income.</p> <p>If filing separate returns, M must file Long Form 540NR. Report on Schedule CA (540NR), column A, all separate income including military income and one-half of S's community income. Enter in column B all M's military pay. California AGI, column E, includes all separate California source income and one-half of California source community income but does not include any military income or M's intangible income.</p> <p>If filing separate returns, S must file Form 540. Report all separate income and one-half of all community income on Schedule CA (540), column A.</p>  |
| <b>11.</b> M – Domiciled in a community property state (other than California). Stationed in California all year.<br>S – Domiciled in a separate property state. Resided in California all year. | <p>If filing a joint return, file Long or Short Form 540NR. Report all income on Schedule CA (540NR), column A or on Short Form 540NR, line 13. Enter all military income in column B or on Short Form 540NR, line 14. Report all California source income, plus S's share of intangible income, and S's other non-California source income in column E or on Short Form 540NR, line 21. Do not include: M's military income, M's share of intangible income, or M's other non-California source income in column E or on Short Form 540NR, line 21.</p> <p>If filing separate returns, M must file Long Form 540NR. Report on Schedule CA (540NR), column A all separate income and one-half of all community income, including military income. Enter in column B one-half of M's military pay. Report all separate California source income and one-half of California source community income in column E. Do not include any military income or intangible income in column E.</p> <p>If filing separate returns, S must file Form 540. Report all separate income and one-half of all community income, including S's community half of military income on Schedule CA (540), column A. Enter S's community half of military pay on Schedule CA (540), column B.</p>  |
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**Illustration for example 8:**

The following provides partial views of Schedule CA (540) and Schedule CA (540NR).

Lt. Pope is domiciled in Texas, a community property state, and Mrs. Pope is domiciled in California, a community property state. Lt. Pope was stationed in California for all of 2003 and received \$32,500 in military wages and Mrs. Pope, who lives in the same residence, received \$29,000 in wages. Lt. and Mrs. Pope also have a joint savings account from which they received \$200 in interest income. Following are illustrations of how their income would be reported on Schedule CA (540 or 540NR) of their California return(s) (Refer to example 8 on page 7):

**Filing a Joint Return (Long Form 540NR)**

They would file Long Form 540NR and would make the following entries on Schedule CA (540NR):

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
		<b>Federal Amounts</b>	<b>Subtractions</b>	<b>Additions</b>	<b>Total Amounts Using CA Law</b>	<b>CA Amounts</b>
<b>Section A – Income</b>						
<b>7</b>	Wages, salaries, tips, etc. See instructions before making an entry in column B or C . . . .	<b>7</b>				
		\$61,500	\$32,500****		\$29,000	\$29,000*
<b>8</b>	Taxable interest income . . . . .	<b>8</b>	200		200	100

**Filing Separate Returns**

Lt. Pope would file Long Form 540NR and would make the following entries on Schedule CA (540NR):

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
		<b>Federal Amounts</b>	<b>Subtractions</b>	<b>Additions</b>	<b>Total Amounts Using CA Law</b>	<b>CA Amounts</b>
<b>Section A – Income</b>						
<b>7</b>	Wages, salaries, tips, etc. See instructions before making an entry in column B or C . . . .	<b>7</b>				
		\$30,750**	\$16,250****		\$14,500	\$14,500***
<b>8</b>	Taxable interest income . . . . .	<b>8</b>	100		100	

Mrs. Pope would file Form 540 and would make the following entries on Schedule CA (540):

<b>Part I Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>
		<b>Federal Amounts</b>	<b>Subtractions</b>	<b>Additions</b>
<b>Section A – Income</b>				
<b>7</b>	Wages, salaries, tips, etc. See instructions before making an entry in column B or C . . . . .	<b>7</b>		
		\$30,750**	\$16,250****	
<b>8</b>	Taxable interest income . . . . .	<b>8</b>	100	

**Filing a Joint Return (Short Form 540NR)**

<b>13</b>	Enter federal adjusted gross income from Form 1040, line 35; Form 1040A, line 21; Form 1040EZ, line 4; TeleFile Tax Record, line 1; Form 1040NR, line 34; or Form 1040NR-EZ, line 10 . . . . .	<b>13</b>	\$61,700*****	
<b>14</b>	Unemployment compensation and military pay adjustment. See instructions . . . . .	<b>14</b>	32,500	
<b>17</b>	Adjusted gross income from all sources. Subtract line 14 from line 13 . . . . .	<b>17</b>	29,000	

- \* Mrs. Pope's \$29,000 in wages.
- \*\* One-half of Lt. Pope's military pay, \$16,250 plus one-half of Mrs. Pope's wages, \$14,500.
- \*\*\* One-half of Mrs. Pope's wages.
- \*\*\*\* R&TC Section 17140.5 military pay adjustment.
- \*\*\*\*\* Includes \$200 taxable interest.

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## Additional Information

### What if I am involved in an audit or have received correspondence?

In most cases, we will defer any audit activity for up to 180 days following your return to the United States.

Contact us or have your authorized representative contact us at the number shown on the correspondence we sent you, or see "General Toll-Free Phone Service" to get more information. You will be asked to provide the following information:

- Copy of assessment or letter concerning the audit;
- Name and social security number;
- Branch of service;
- Unit name and number;
- Dates you entered and left service; and
- Mailing and/or permanent address.

### What if I owe back taxes?

In most cases you will be able to defer payment of back taxes, without interest or penalties, for up to 180 days following your return to the United States.

If you received a notice from the Franchise Tax Board, call the number shown on the notice, or have your authorized representative contact us. You will be asked to provide the following information:

- Name and social security number;
- Branch of service;
- Unit name and number;
- Dates you entered and left service; and
- Mailing and/or permanent address.

If you were a member of the National Guard called into service or a reservist called to full-time active duty, you may be able to defer payment of back taxes, without interest and penalties, from the date you were called to full-time active duty service until 180 days following the date you left service, if your ability to pay the tax is materially impaired by reason of the service.

In order to qualify for a deferral of back taxes, you must provide the Franchise Tax Board a certificate signed by an appropriately authorized officer of the military with the following information:

- Name;
- Dates you entered and left service;
- Place where the service occurred;
- Rank, branch, and unit; and
- Monthly pay received at the date the certificate was issued.

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## How to Get California Tax Information

**By Internet** – You can download, view, and print California tax forms and publications from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By phone** – Call our toll-free phone numbers listed under "General Toll-Free Phone Service" to get the California tax forms you need.

**In person** – Many libraries, post offices, and banks provide free California tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules to photocopy (a nominal fee may apply).

**Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

**By mail** – We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order. If you live outside California please allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

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## Letters

If you write to us, be sure your letter includes your social security number, and your daytime and evening telephone numbers. Send your letter to:

FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0040

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information.

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## Volunteer Income Tax Assistance

At more than 1,500 sites throughout California, trained volunteers provide free assistance to low-income, senior, disabled, and non-English speaking persons who need to file simple federal and state income tax returns. Many military bases also provide this service for members of the armed forces.

The volunteer income tax assistance locations will be listed on our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) from January 1, 2004, through April 15, 2004. Or, call the Franchise Tax Board at (800) 852-5711 to find the volunteer assistance location nearest you.

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## General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday, except holidays. We may modify these hours without notice to meet operational needs.

From within the United States . . . . . (800) 852-5711  
From outside the United States . . . . . (916) 845-6500  
(not toll-free)

For federal tax questions, call the IRS at . . . (800) 829-1040

### Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

### Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 7 p.m. lunes a viernes, excepto días festivos estatales. Sin embargo, podríamos modificar este horario sin aviso previo para cumplir necesidades de operación.

Dentro de los Estados Unidos llame al: (800) 852-5711  
(libre de cargos)

Fuera de los Estados Unidos llame al: (916) 845-6500  
(cargos aplican)

Página Electrónica:  
[www.ftb.ca.gov](http://www.ftb.ca.gov)

**Asistencia para personas discapacitadas:** Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla, pueden llamar al (800) 822-6268 con un aparato de telecomunicación TTY/TTD.